

Do Women Political Leaders Enhance Government Financial Conditions?

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In a nutshell

- Empirical evidence on how women mayors affect municipal financing cost.
- Apply regression discontinuity design and exploit 300 close US mayoral elections.
 - Female mayors lead to lower municipal bond spreads.
 - Driven by improved fiscal condition.



Motivation, research question

- Gender gap in political leadership is still-present but closing.
- Women are more risk-averse and conservative business leaders (Agnew et al. 2008; Huang and Kisgen 2013).
- Gender differences in both the policy stance and capital market reactions?

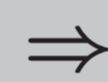
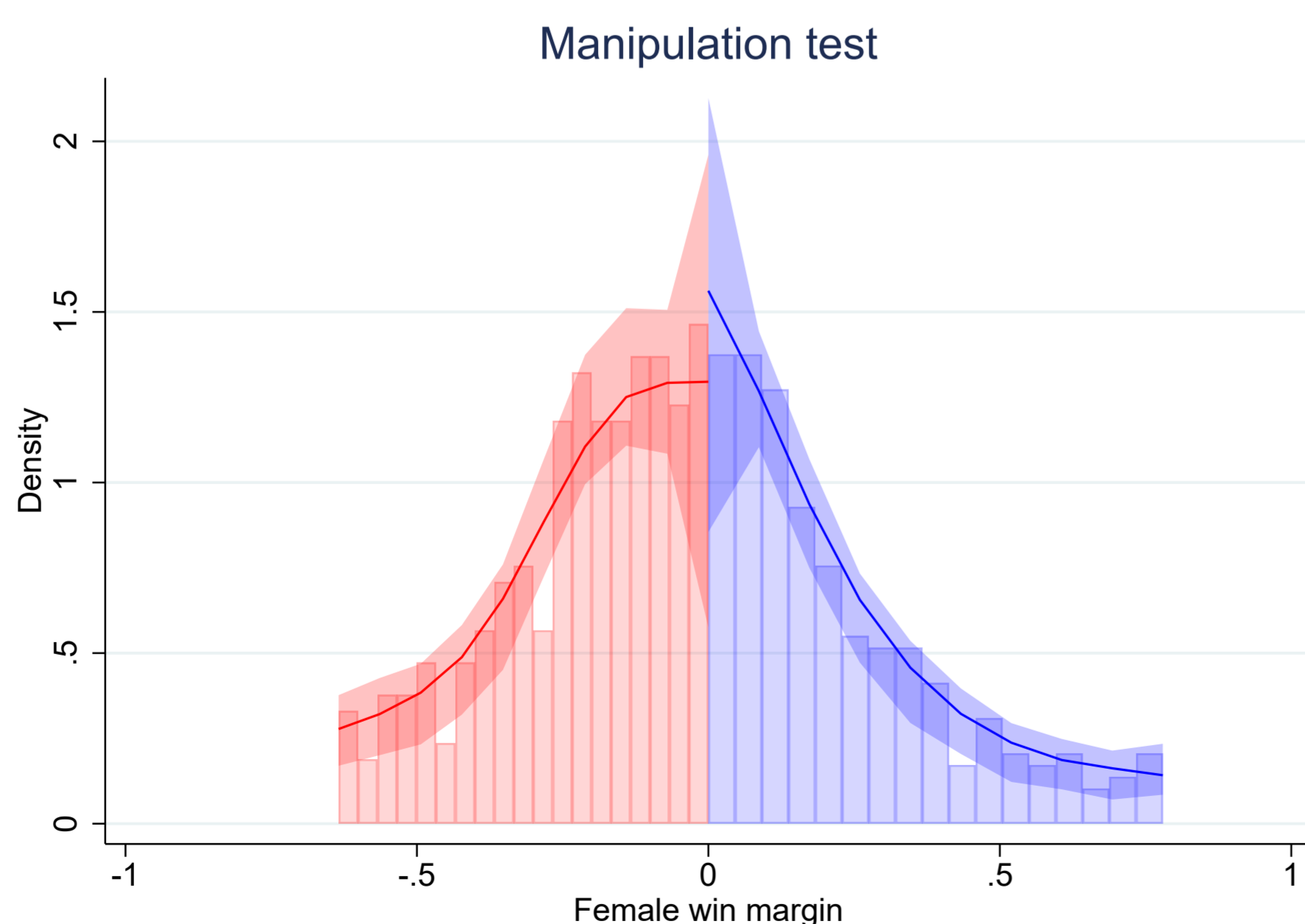
Do female mayors affect government debt valuation?

- **Findings: Municipal financing cost is decreasing especially in highly indebted cities!**



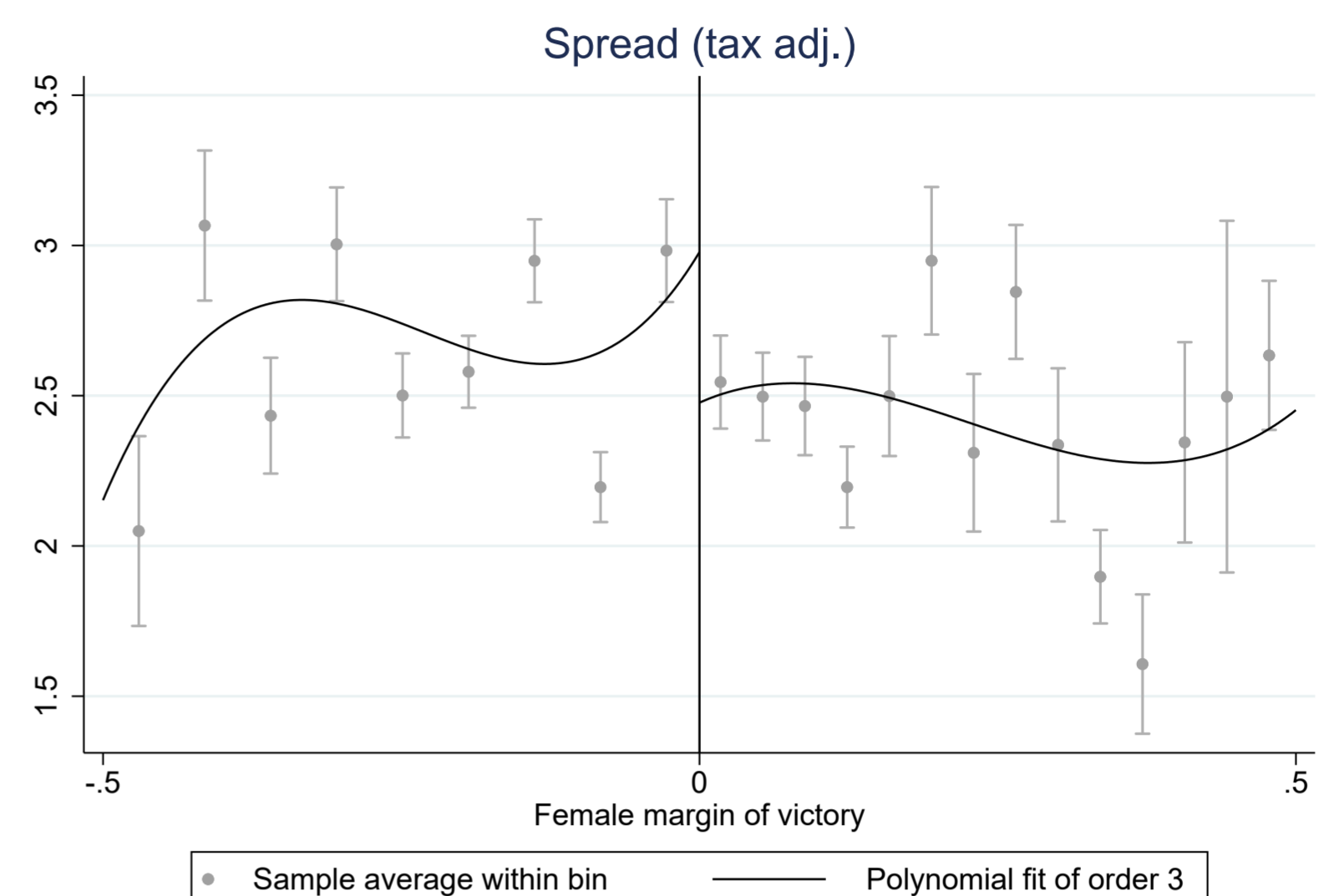
Data and Empirical strategy

- Bond Data: SDC Platinum Public Finance database.
- Election Data: extend Ferreira and Gyourko (2009) to 2014.
 - Hand-collect gender for top2 candidates.
- 1,037 male/female elections, 633 with non-missing bond data.
- Local polynomial RDD, MSE-optimal bandwidth (Calonic et al., 2014)
- Outcome variable: Offering muni bond yield – yield-to-maturity of the synthetic risk-free bond.



Results

- RD plot



- Bond spreads (tax adjusted) decrease by 25bp (9%)

| | (1) | (2) | (3) | (4) |
|----------------------------|-----------|-----------|-----------|------------------|
| Panel A: Spread (unadj.) | | | | |
| Female win | -0.052*** | -0.292*** | -0.350*** | -0.311*** |
| | (0.01) | (0.02) | (0.03) | (0.02) |
| Obs | 7,223 | 7,223 | 3,486 | 3,485 |
| Bandwidth | 1.00 | 1.00 | 0.20 | 0.20 |
| # Elections | 633 | 633 | 319 | 319 |
| Panel B: Spread (tax adj.) | | | | |
| Female win | -0.223*** | -0.389*** | -0.295*** | -0.283*** |
| | (0.01) | (0.03) | (0.03) | (0.02) |
| Obs | 7,223 | 7,223 | 4,359 | 4,358 |
| Bandwidth | 1.00 | 1.00 | 0.27 | 0.27 |
| # Elections | 633 | 633 | 401 | 401 |
| Polynomial order | 0 | 3 | 1 | 1 |
| City covariates | No | No | No | Yes |
| Bond covariates | No | No | No | Yes |

- Enhanced fiscal strength and budget balance of cities

| | Debt to Revenue | | Debt per capita | |
|------------------|-----------------|------------------|-----------------|------------------|
| Female win | -0.155* | -0.344*** | -0.985*** | -1.462*** |
| | (0.09) | (0.09) | (0.26) | (0.21) |
| Obs. | 659 | 659 | 737 | 737 |
| Bandwidth | 0.15 | 0.15 | 0.16 | 0.16 |
| # Elections | 227 | 227 | 251 | 251 |
| Polynomial order | 1 | 1 | 1 | 1 |
| Covariates | No | Yes | No | Yes |



Conclusion

- Female political leadership leads to:
 - 1 lower financing cost of municipal governments.
 - 2 a reduction in municipal debt levels and improved fiscal status.
- Findings are most pronounced in highly indebted cities.
- Outlook: explore channel.